



MANAGEMENT APPLICATIONS CONSULTING, INC.

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October 30, 2001

DTE 02-24 and DTE 02-25
Common Discovery
Attachment 4 DTE 2-17
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Mr. Stephen J. Curran, Director
Financial Regulation
Unitil Service Corporation
6 Liberty Lane West
Hampton, NH 03842

Dear Mr. Curran:

In accordance with your request, Management Applications Consulting, Inc. (MAC) is pleased to submit this proposal to perform a book depreciation accrual rate study of the Fitchburg Gas & Electric Company's (the Company) depreciable electric, gas and common utility properties. The purpose of this study is to recommend revised depreciation accrual rates where appropriate and advise Company management of any and all factors relating to the fair and timely recovery of capital invested in depreciable electric and gas utility property.

SCOPE OF SERVICES

The services to be performed will include detailed analyses of depreciable electric, gas and common utility plant in service as of December 31, 2000. Once the Company's accounting records are closed at year-end 2001, we will update the depreciation study databases to year-end 2001. We will then apply the previously determined accrual rate parameters to those balances to develop accrual rates based on year-end 2001 plant. We expect the Company to furnish us the complete and correct history of plant additions, retirements, adjustments, year-end balances, etc., by primary plant account or subaccount for the past 20 years and preferably 30 years. The history of capital additions should be as near complete as feasible; i.e., from about 1900 or 1910 through 2000. These data are necessary as we typically analyze 30 years of data, e.g. 1970 to 2000, and it is quite likely some of the 1970 retirements and/or year-end 1970 account balances could be from 1910 vintage additions. We will also need Company removal cost and gross salvage history of the years 1986 to 2000 at primary plant account level. The plant data history need not be actuarial; i.e., retirements need not be vintaged or year-end account balances split to vintage survivors. Similarly, we do not ask that salvage be vintaged. However, inasmuch as the Company does maintain actuarial data, these data should also be provided to us and later updated to include 2001 activity.

We will also need from the Company an "official" listing of the year-end 2000 and 2001 plant account balances and the year-end 2000 and 2001 Accumulated Provision for Depreciation (the book reserve). The book reserve should be provided at the lowest plant level available; i.e., by primary plant account or subaccount, if possible.

We may also find it beneficial to get your engineers' assistance in estimating man-hours and equipment necessary to remove the major units of property within the significant Distribution primary accounts upon retirement. In that connection, it may also be necessary for Property Accounting to provide us with the surviving quantities of such major units of property. This salvage and removal cost information could be used to supplement the traditional analyses of the previously mentioned accounting history of salvage and removal cost. The foregoing may be required only if the normal accounting history of gross salvage and removal cost is deemed not representative of the future.

The analytical techniques to be employed shall be those generally recognized and accepted by the industry. The interpretation of analyses will be strengthened by communication with Company accounting, engineering, financial, operating and planning personnel.

Our findings will be presented to you on summary accrual rate schedules incorporated into a report containing descriptions of the analytical procedures and interpretations of the analyses performed relative to the various categories of investment.

The services to be performed shall be done in such depth as to be supportable before any regulatory body.

STUDY SEQUENCE

We intend to proceed with the depreciation study generally as follows:

1. An information request will be sent to you early in the study. The purpose of the questionnaire is to define the objectives of the study to Company accounting, engineering, financial, operating and planning personnel and to obtain authoritative first-hand information with respect to those factors which have had or may yet have some effect upon the service lives of the properties or their salvage value upon their final retirement. We will request written input from the questionnaire recipients regarding operating practices, maintenance and retirement policies, plant accounting policies, technological developments and expectations, expected future capital retirements, expected future expenditures which may prolong or shorten the life of properties, and any other factors which may have an influence on property lives, salvage and removal costs. Written responses to our request should be in our hands within about three weeks after distribution of the questionnaire.
2. A property tour/inspection should be made early in the project; we anticipate 1 ½ to 2 days time will be required. An inspection should include the Company's electric substations, gas take stations, some district regulator stations, industrial/commercial metering sites, service centers and any significant depreciable structures; e.g., office buildings. We request that the Company provide a knowledgeable "tour guide" and vehicle.

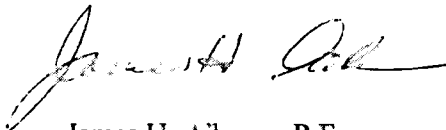
3. Statistical analyses of the historical activity, including cost of removal and gross salvage analyses, should be completed approximately four to eight weeks after we are provided the plant data.
4. An evaluation conference will be held in our offices shortly after completion of the analyses. The evaluation process considers all information gathered as a result of the inspections, questionnaire and the statistical analyses indications developed from the computer runs, including salvage and removal cost analyses. Representatives of the Company are welcome to attend.
5. The evaluation conference (Step 4) results in the recommendation of average service lives, dispersion characteristics (Iowa curves) and net salvage estimates.
6. Summary schedules of these preliminary findings and recommendations will be prepared and forwarded for review by you and whoever else may be appropriate. Following this review, we will draft a preliminary report and submit the draft to you for your review and comments.
7. Upon completion of the review of the preliminary report, we will finalize and reproduce the report in the quantity you request; the cost estimate anticipates the preparation of 10 copies.

MANPOWER AND COST ESTIMATES

The cost of performing a study such as this one is difficult to estimate due to the variables; however, we recognize your need for a quote. We estimate this study to require about 220 to 270 man-hours at an estimated cost of \$37,500. Living and travel expenses will be billed at cost; all other out-of-pocket expenses will be included in our expense fee which will be 3% of professional services in accordance with MAC's standard Terms and Conditions, attached. These estimates do not include services and expenses relative to regulatory proceedings, formal or informal.

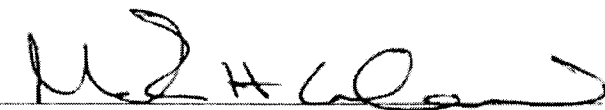
We thank you for this opportunity to be of service and look forward to your authorization to proceed. In that regard, acceptance of this proposal may be indicated by signing and returning one copy for our files.

Respectfully submitted,



James H. Aikman, P.E.
Managing Consultant

ACCEPTED:



For: FITCHBURG GAS & ELECTRIC CO.

November 6, 2001
Date

MANAGEMENT APPLICATIONS CONSULTING, INC.

BILLING RATES

<u>CLASSIFICATION</u>	<u>HOURLY BILLING RATE</u>
Managing Consultant	\$160
Senior Consultant	\$145
Consultant	\$125
Associate Consultant	\$ 80
Technical Assistant	\$ 60
Word Processing	\$ 30

Management Applications Consulting, Inc.
Billing Terms and Conditions

Professional Services:

Charges for professional services will be at the standard hourly rates as shown on the attached schedule. Time charges will be made only while actually at work on the assignment and for the travel time during normal working hours, where applicable.

Out-of-Pocket Expenses:

In addition to the cost of professional services, travel, and living expenses while engaged on a project away from the home office, such as commercial travel fares, meals, lodging, telephone and rented automobiles, will be billed at cost. Use of a personal car to make a trip in your interest will be billed at the currently allowed IRS rate. Outside services or extraordinary expenses, when specifically authorized and incurred on your behalf, will be billed at cost. Other expenses such as telephone, reproduction, postage, freight, and data processing will be billed at 3% of professional service revenues.

Method of Billing:

Billings will be rendered monthly for the preceding month's services performed and expense incurred on your behalf. Invoices will be due and payable ten days after receipt. Our assignment may be interrupted or terminated at any time without further liability other than for the charges and expenses incurred up to the date of such interruption or termination.

Software Rights:

Any software developed in the course of this assignment will be considered confidential trade secrets and will become the property of MAC. If requested, a copy of this software will be provided to you for your exclusive use in conducting your own business. This software is not to be copied, except for archival purposes, nor is it to be distributed to any third party without the expressed written consent of MAC. MAC retains the sole rights to reproduce, copy, distribute, and license this software.